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Sweden

Solid Wood Products

Annual

2003

Approved by:

Lana Bennett

U.S. Embassy, Stockholm

Prepared by:

Asa Lexmon

Report Highlights:

Swedish production of sawn softwood reached its highest level ever at 16.6 million cubic meters in 2002. Exports rose by 5 percent. A quarter of Swedish exports of sawn softwood went to non-European markets. Exports to Japan and the U.S. showed the strongest growth by about 25 and 80 percent, respectively.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Stockholm [SW1], SW

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SUMMARY

Sweden is one of the most heavily forested countries in the world. Almost 70 percent of the total land area is covered with forests. The raw material base of 23.3 million hectares of productive forest land consists mainly of softwood species. Total stocks of timber are estimated at 2,810 million cubic meters (cum), annual growth at 101 million cum and annual fellings average 78 million cum. Sweden is a major softwood lumber producer, supplying the European market with about 15 percent of its consumption. In 2002, Swedish production of sawn timber reached its highest level ever at 16.6 million cum, 3 percent more than in 2001. In recent years, Sweden has also increased its share of the Japanese market, thus competing with Finnish and U.S. softwood lumber. Sweden's main forest industry product, however, is pulp. In 2002, pulp production amounted to 11.4 million tons. The production of paper amounted to 10.7 million tons, including newspaper print, fine paper and board.

The total value of forestry exports in 2002 amounted to SEK 110 billion (USD 11.3 billion), compared to SEK 109.2 billion (USD 10.6 billion) in 2001. Imports of forest products amounted to SEK 23 billion (USD 2.4 billion). The forest sector accounted for 14 percent of Sweden's total exports, and around 4 percent of Sweden's total imports in 2002.

Sweden sees the largest potential for growth to be in the Asian markets where consumption of forest products is lower than in other markets but is rising faster. In 2002, exports to non-European markets continued to increase and accounted for almost 25 percent of total sawn timber exports. Swedish exports to Japan increased by 23 percent to 856,000 cum and to the U.S. by 78 percent to 548,000 cum.

Rates of exchange used in this report are:

CY 2001: USD 1 equals SEK 10.33

CY 2002: USD 1 equals SEK 9.72

PRODUCTION

Forest Situation/Outlook

Virtually all forests in Sweden are re-growth. Small areas of virgin forests are protected in national parks and nature reserves. The raw material base of 23.3 million hectares of productive forest land consists mainly of softwood species. Total stocks of timber are estimated at 2,850 million cum, annual growth is estimated at 101 million cum and annual fellings average 78 million cum. There is a potential for annual fellings to increase by about 20 million cum. The composition of the present forests, with few species and uneven age distribution, make imports a necessity.

In 2002, 52 percent of Sweden's forest area was privately owned, 41 percent was company-owned, and 7 percent was government-owned (including national parks and reserves). The majority of private forest owners are members of regional associations of forest owners, many of which own sawmills, processing, pulp mills and bioenergy plants. These regional associations are organized as a forest delegation within the Swedish Farmers Federation (LRF), the umbrella

farmers' union.

The Swedish government decided in the early 90's that no subsidies would be made available to the commercial side of the Swedish forest industry. This reflected the GOS view that subsidies would be destructive to an industry whose ongoing operations and future development relied heavily on a strongly competitive international market. When Sweden joined the EU in 1995, it had to adopt Council Regulation (EEC) No. 867/90, which provides supports to forest owners. However, due to the requirement that the GOS cofinance 50 percent of the subsidy, only a small amounts of EU subsidies have actually been paid to Swedish forest owners.

The only government assistance during the last seven-year period has been to forest owners of select valuable varieties of trees which are in short supply. This category includes indigenous tree species of elm, ash, hornbeam, beech, oak, wild cherry, linden/lime and maple. Government assistance has been granted to compensate farmers for the loss of harvest income while trees of these species mature. These trees generally take 200 years to mature— about twice as long as pine and spruce. Such subsidies amount to about SEK 18 million per year (USD 2.0 million) and are applied to areas which in total cover about 1 percent of Sweden's productive forests.

The most recent Forestry Act was effected on January 1, 1994. It outlines strict forestry practices, which must be adhered to by all forest owners at their own expense. The main provisions of the Act include requirements that: regeneration must be effected after final felling and/or severe damage to the stand; forest owners must inform forest authorities about planned final felling and how nature conservation and historical concerns are to be taken into consideration at the felling sites; insect damage must be prevented through proper management practices; and measures supporting nature conservation and historical concerns must be integrated into all kinds of forest management operations.

Nature conservation agreements between forest owners and the government have been established to protect and develop nature in certain areas. In the period January 1, 1994, through December 31, 2001, land owners were compensated a total of SEK 25.9 million (USD 2.8 million) under a total of 670 individual nature conservation agreements. During the same period, 2,166 protected forest habitats or key biotypes were established for which forest owners have been compensated SEK 257 million (USD 28 million). There is no formal felling ban on key biotypes, but there is great pressure on owners not to disturb them.

There are no special environmental requirements for wood processors, however any industry discharges or emission releases must comply with strict municipal requirements. The major forest companies now publish annual environmental reports in addition to their annual reports.

Solid Wood Products Situation/Outlook

Sweden is, together with Germany, the largest producer of sawn softwood in Europe. Almost all of the timber sawn is pine or spruce. Only very small quantities of birch are sawn. Although the growth in the world economy was weaker than expected, Swedish production of sawn timber reached its highest level ever in 2002 at 16.6 million cum, 3 percent more than in 2001. The rise

in production is explained by higher prices due to increased demand for sawn timber in Europe. Uncertainties about the economy remain, but 2003 production is expected to increase further, by about 2 percent.

The forest industry is highly integrated. The four major companies, i.e., StoraEnso, SCA, Holmen and Assidoman, own both forests and processing industries. Private forest owners cooperate through associations which either process timber themselves or sell large quantities to processing companies. The sawmilling industry is constantly restructuring. The ten largest companies now account for 60 percent of total production. On June 2, 2003, the sawmilling companies Assidoman Timber and Mindab announced their decision to merge and thereby establish the largest forest industry group in Sweden, and the fourth largest group in Europe. The new company, Royal Star, will include 13 saw mills and have a turnover of SEK 5 billion (USD 0.5 billion) and a capacity of 2.3 million cum per year.

Swedish Industry Mills and Production Units

Paper	2001	2002
Number of units	48	47
Total capacity, million tons	11.2	11.4
Production, million tons	10.5	10.7
Exports, million tons	8.7	9.0
Export value, SEK billion	60.7	60.0
Pulp	2001	2002
Number of mills	45	45
Total capacity, million tons	11.2	11.9
Production, million tons	11.0	11.4
Exports, million tons	3.0	3.3
Export value, SEK billion		13.6
Lumber	2001	2002
Number of sawmills*	170	165
Production, million cum	14.8	16.6
Exports, million cum	11.0	11.5
Export value, SEK billion	18.5	20.9

* >10,000 cum per year

In addition to the units included in the above table, there are four companies producing plywood with a total capacity of 150,000 cum, two companies producing particle board, with a total

capacity of 750,000 cum, and two companies producing fiber board with a total capacity of 285,000 cum. Production in 2002 amounted to 87,000 cum of plywood, 564,000 cum of particle board, and 295,000 cum of fiber board.

Glulam production in Sweden is very limited and only a few sawmills produce this product. However, there seems to be an increasing interest in glulam on the Swedish market. Swedish imports of glulam increased to 13,000 tons, compared to 3,000 tons in 2001, most of which originated in Latvia, Norway and Estonia. Swedish exports of glulam decreased for the first time in years and amounted to 18,000 tons in 2002, down 25 percent from 2001.

The Nordic countries are working together on a strategy aimed at helping the sawmilling industry to structure their work in a way that contributes to an increased demand for solid wood products. The strategy work is based on the reports "Global Drivers and Megatrends in the Wood Products Industry to Year 2010" and "Solid Wood Products Threats and Possibilities."

TRADE

Overview/Outlook

The EU remains the most important market for Sweden's forestry products. Within the EU, the UK, Denmark, and Germany are leading customers. However, Sweden sees the largest potential for growth to be in the Asian markets where consumption of forest products is relatively low, but rising faster than in other markets. The expected growth in the Chinese market, however, has not yet occurred. The fact that wood is not traditionally used as building material in China was before considered to be a potential, but is now considered to be the hindering factor for growth. Hence, actual exports to China are still very small and amount to about 4,500 cum.

In 2002, exports to non-European markets continued to increase and accounted for almost 25 percent of total sawn timber exports. Exports to Japan and the U.S. showed particularly strong growth. Swedish exports to Japan increased by 23 percent to 856,000 cum and to the U.S. by 78 percent to 548,000 cum. Exports in 2003 are expected to be relatively stable. Increased competition from the U.S. due to the weak dollar is expected to obstruct positive effects of economic recovery.

Due to high domestic prices, the Swedish industry imports a large amount of raw material from Russia and the Baltic states. This material is processed in Sweden and exported to, among other countries, the U.S. at competitive prices. Swedish sawmills also produce more highly finished materials for both the domestic and export markets. Major competitors are Finland, Austria and Canada. Competition in the European market from Latvia and Estonia continues to increase.

Russia, Latvia and Estonia are the main suppliers of total raw material imports. In 2002, however, prices on raw material from Russia increased due to the strong dollar and imports from Russia decreased by 20 percent. Total imports of forest products amounted to SEK 23 billion (USD 2.4 billion). Imports sourced from the U.S. amounted to about 4% of total value (mainly hardwood lumber). Hardwood lumber for flooring and other manufacturing sectors are probably

the best opportunities for U.S. exports to Sweden, particularly now that the U.S. dollar has weakened against the Swedish krona.

Competition

Sweden is competing in the European market with Finland, Canada, the U.S., the Baltics and Russia. Competition from the Baltics and Russia has increased substantially during recent years. As mentioned earlier in this report, there are no significant government subsidies allocated for forestry and forestry products in the Swedish annual budget. The major companies invest in promotional efforts to meet competition from other countries. Globalization of the forest industry is a fact. The four major forest companies in Sweden all have large holdings in other countries.

The Nordic Timber Council (NTC), which has its head office in Stockholm, is the joint promotional association for Swedish, Finnish and Norwegian lumber producers. The Council has offices in Spain, the United Kingdom, France and the Netherlands. Major projects are: the wood for good in the UK; the French co-operation; the New Markets; and the Pan European campaigns. Financiers in the UK and France are co-sponsoring the campaigns in the UK and France. The French campaign will start in 2004. Through the New Market campaign, the NTC is trying to influence the Japanese and Chinese industries to use wood in large scale construction. The first building made of both curtain walls and inner walls of wood in China has just been completed. In the Pan European campaign, the NTC is cooperating with other European promotion organizations.

The discussion of the certification that forestry products were produced according to environmentally sustainable standards, led in 1996 to the launching of a joint Nordic forestry certification project participated in by Sweden, Norway and Finland. This project aims to achieve like standards and like market recognition for certified forestry in all three countries. Imported raw materials, however, are not subject to these same standards.

Within Sweden there has been an ongoing debate on which system to adopt. The Swedish forest industries decided in 1998 to adopt the FSC (Forest Stewardship Council) system. The Forest Owners Association strongly opposed this decision and announced their decision to continue to work to find a Family Forestry Certification (FFC) system suitable for small forest owners as opposed to the FSC, which is geared towards large-scale forestry. The Forest Owners' Association has believed that both systems can be used on the market at the same time and that there is need for both of them. The large companies maintain, however, that there should be only one system in Sweden, and that system should be the FSC. Both systems are well-established in the country, which makes Sweden rather unique. However, the ongoing negotiations concerning mutual recognition of systems were finalized in December, 2001, when the two certifying organizations, together with two environmental organizations, presented the mutually agreed document called "Skogsduvan" (the stock-dove) on ways in which to harmonize the two systems. In 2002, the Swedish Pan-European Forest Certification (PEFC) approved "Skogsduvan."

The EU PEFC, which aims to establish an internationally recognized framework for certification

applicable to small-scale forestry, encompasses both the FFC and the FSC. There are now 25 countries which have subscribed to the PEFC.

STATISTICAL SECTION

Strategic Indicator Table: Forest Area (million hectares/million cum)

SWEDEN	Previous	Current	Following
2002	Calendar Year	Calendar Year	Calendar Year
Total Land Area	41.1	41.1	41.1
Total Forest Area	28.2	28.2	28.2
--of which, Commercial	22.6	23.3	23.3
----of commercial, tropical hardwood	0	0	0
----of commercial, temperate hardwood	2.6	2.6	2.6
----of commercial, softwood	20	20	20
--of forest area, non-commercial	5.6	5.6	5.6
Forest Type	spruce, pine, broadleaved (mainly birch)		
--Of which, virgin	0	0	0
--Of which, plantation	19.5	19.5	19.5
--Of which, other commercial (regrowth)	8.7	8.7	8.7
Forest Ownership	Private, company, national		
--Nationally owned and no commercial access	4.3	4.3	4.3
--Nationally owned, commercial logging permitted	3.6	3.6	3.6
--Other publicly owned land, no commercial access	1.3	1.3	1.3
--Other publicly owned, logging permitted	7.5	7.5	7.5
--privately owned commercial forest	11.5	11.5	11.5
Total Volume of Standing Timber	2,850	2,900	2,895
--Of which, Commercial Timber	2,600	2,600	2,650
Annual Timber Removal 1/	76.2	84	85
Annual Timber Growth Rate	100.3	101.3	95
Annual Allowable Cut	95	95	95

Strategic Indicator Table: Forest Product Tariffs and Taxes (percent)

		Tariff	Tariff	Other
SWEDEN	Product	Current	Following	Import
2001	Description	Year	Year	Taxes/Fees

4401	Fuel wood	0	n/a	SEK 0.10/CUM for phytosanitary control, minimum SEK 20 per shipment
4403	Logs, rough	0	n/a	SEK 0.10/CUM for phytosanitary control, minimum SEK 20 per shipment
4404	Wood roughly squared	0	n/a	SEK 0.10/CUM for phytosanitary control, minimum SEK 20 per shipment
4405	Wood wool	0	n/a	
4406	Railway sleepers	0	n/a	SEK 0.10/CUM for phytosanitary control, minimum SEK 20 per shipment
4407	Lumber	0 2.5	n/a	SEK 0.10/CUM for phytosanitary control, minimum SEK 20 per shipment
4408	Veneer	0 6	n/a	
4409	Wood, planed, etc.	0	n/a	
4410	Particle boards	7	n/a	
4411	Fiber boards	7	n/a	
4412	Plywood	6 10	n/a	There is a 0 tariff up to a quota of 650,000 CUM
4413	Wooden Beadings	0	n/a	
4414	Wooden picture frames	2.5	n/a	
4415	Wooden packing cases	3 4	n/a	SEK 0.10/CUM for phytosanitary control, minimum SEK 20 per shipment
4416	Casks, barrels	0	n/a	SEK 0.10/CUM for phytosanitary control, minimum SEK 20 per shipment
4417	Tools	0	n/a	
4418	Builders' joinery	0 3	n/a	
4419	Household utensils	0	n/a	
4420	Dec. wooden utensils	0 4	n/a	
4421	Other wood products	0 4	n/a	
4422	n/a			
9406	Prefabricated houses of wood	2.7	n/a	

PSDs, Trade Matrices and Price Tables

PSD Table						
Country	Sweden					
Commodity	Softwood Logs				1000 CUBIC METERS	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004

Production	30000	34600	30000	35000	0	35000
Imports	9000	5161	9000	5000	0	5000
TOTAL SUPPLY	39000	39761	39000	40000	0	40000
Exports	2000	1718	2000	2000	0	2000
Domestic Consumption	37000	38043	37000	38000	0	38000
TOTAL DISTRIBUTION	39000	39761	39000	40000	0	40000

Export Trade Matrix			
Country	Sweden		
Commodity	Softwood Logs		
Time period	CY	Units:	1,000 CUM
Exports for:	2001		2002
U.S.	0	U.S.	
Others		Others	
Norway	1116	Norway	1055
Denmark	23	Germany	65
		Norway	13
Total for Others	1139		1133
Others not Listed	134		585
Grand Total	1273		1718

Import Trade Matrix			
Country	Sweden		
Commodity	Softwood Logs		
Time period	CY	Units:	1,000 CUM
Imports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Latvia	1896	Latvia	1728
Russia	1752	Russia	1385
Estonia	822	Estonia	711
Norway	437	Norway	597

Finland	315	Lithuania	427
Lithuania	241	Finland	215
Germany	103		
Denmark	75		
Total for Others	5641		5063
Others not Listed	6		98
Grand Total	5647		5161

Prices Table			
Country	Sweden		
Commodity	Softwood Logs		
Prices in	SEK	per uom	CUM
Year	2001	2002	% Change
Average for year	410	438	7
Exchange Rate	9.72	Local currency/US \$ 1	

PSD Table						
Country	Sweden					
Commodity	Softwood Lumber				1000 CUBIC METERS	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/1999		01/2000		01/2001
Production	16000	16600	16300	17000	0	17000
Imports	150	319	150	150	0	150
TOTAL SUPPLY	16150	16919	16450	17150	0	17150
Exports	11300	11455	11600	11600	0	12000
Domestic Consumption	4850	5464	4850	5550	0	5150
TOTAL DISTRIBUTION	16150	16919	16450	17150	0	17150

Export Trade Matrix			
Country	Sweden		
Commodity	Softwood Lumber		
Time period	CY	Units:	1,000 CUM
Exports for:	2001		2002
U.S.	308	U.S.	548
Others		Others	
United Kingdom	2634	United Kingdom	2653
Denmark	1239	Denmark	1273
Germany	938	Germany	977
Norway	814	Japan	856
Japan	659	Norway	817
Spain	587	Egypt	423
Egypt	533		
France	477		
Italy	268		
Total for Others	8149		6999
Others not Listed	2484		3908
Grand Total	10941		11455

Import Trade Matrix			
Country	Sweden		
Commodity	Softwood Lumber		
Time period	CY	Units:	1,000 CUM
Imports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Norway	67	Norway	132
Finland	28	Russia	121
Latvia	16	Finland	34
Estonia	13		
Russia	9		
Total for Others	133		287
Others not Listed	9		32
Grand Total	142		319

Prices Table			
Country	Sweden		
Commodity	Softwood Lumber		
Prices in	SEK	per uom	CUM
Year	2001	2002	% Change
Average for year	1746	1827	5
Exchange Rate	9.72	Local currency/US \$ 1	

PSD Table						
Country	Sweden					
Commodity	Hardwood Plywood				1000 CUBIC METERS	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Production	0	0	0	0	0	0
Imports	90	65	90	80	0	80
TOTAL SUPPLY	90	65	90	80	0	80
Exports	3	3	3	3	0	3
Domestic Consumption	87	62	87	77	0	77
TOTAL DISTRIBUTION	90	65	90	80	0	80

Export Trade Matrix			
Country	Sweden		
Commodity	Hardwood Plywood		
Time period	CY	Units:	1,000 CUM

Exports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Total for Others	0		0
Others not Listed	3		3
Grand Total	3		3

Import Trade Matrix			
Country	Sweden		
Commodity	Hardwood Plywood		
Time period	CY	Units:	1,000 CUM
Imports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Russia	35	Russia	28
Finland	20	Finland	18
Latvia	7	Latvia	7
Total for Others	62		53
Others not Listed	25		12
Grand Total	87		65

Prices Table			
Country	Sweden		
Commodity	Hardwood Plywood		
Prices in	SEK	per uom	CUM
Year	2001	2002	% Change
Average for year	4050	5212	29

Exchange Rate	9.72	Local currency/US \$ 1	
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PSD Table						
Country	Sweden					
Commodity	Softwood Plywood				1000 CUBIC METERS	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/1999		01/2000		01/2001
Production	110	87	110	100	0	100
Imports	80	80	80	80	0	80
TOTAL SUPPLY	190	167	190	180	0	180
Exports	55	55	55	60	0	60
Domestic Consumption	135	112	135	120	0	120
TOTAL DISTRIBUTION	190	167	190	180	0	180

Export Trade Matrix			
Country	Sweden		
Commodity	Softwood Plywood		
Time period	CY	Units:	1,000 CUM
Exports for:	2001		2002
U.S.	4	U.S.	4
Others		Others	
Denmark	16	Denmark	17
United Kingdom	9	United Kingdom	9
Ireland	5	Ireland	2

Germany	3	Germany	3
Total for Others	33		31
Others not Listed	17		12
Grand Total	54		47

Import Trade Matrix			
Country	Sweden		
Commodity	Softwood Plywood		
Time period	CY	Units:	1,000 CUM
Imports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Finland	52	Finland	53
Poland	8	Denmark	5
Brazil	5		
Denmark	4		
Total for Others	69		58
Others not Listed	14		25
Grand Total	83		83

Prices Table			
Country	Sweden		
Commodity	Softwood Plywood		
Prices in	SEK	per uom	CUM
Year	2001	2002	% Change
Average for year	4450	4097	-8
Exchange Rate	9.72	Local currency/US \$ 1	

PSD Table						
Country	Sweden					
Commodity	Softwood Veneer				1000 CUBIC METERS	
	2002	Revised	2003	Estimate	2004	Forecast

	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Production	0	2	0	2	0	2
Imports	25	18	25	20	0	20
TOTAL SUPPLY	25	20	25	22	0	22
Exports	5	20	5	15	0	15
Domestic Consumption	20	0	20	7	0	7
TOTAL DISTRIBUTION	25	20	25	22	0	22

Export Trade Matrix			
Country	Sweden		
Commodity	Softwood Veneer		
Time period	CY	Units:	1,000 CUM
Exports for:	2001		2002
U.S.	1	U.S.	2
Others		Others	
Germany	4	Germany	8
Poland	3	Poland	4
Total for Others	7		12
Others not Listed	8		6
Grand Total	16		20

Import Trade Matrix			
Country	Sweden		
Commodity	Softwood Veneer		
Time period	CY	Units:	1,000 CUM
Imports for:	2001		2002
U.S.	0	U.S.	0

Others		Others	
Finland	19	Finland	17
Total for Others	19		17
Others not Listed	1		1
Grand Total	20		18

Prices Table			
Country	Sweden		
Commodity	Softwood Veneer		
Prices in	SEK	per uom	CUM
Year	2001	2002	% Change
Average for year	3839	4014	5
Exchange Rate	9.72	Local currency/US \$ 1	